

Message Text

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C O N F I D E N T I A L MANILA 2729

EA ONLY

E.O. 11652: GDS

TAGS: ENGR, RP, US

SUBJ: WESTINGHOUSE NUCLEAR POWER PROJECT

REF: STATE 036354

1. SUMMARY. THE GOP INTERNAL INVESTIGATION OF THE WESTINGHOUSE NUCLEAR PROJECT IS STILL GOING ON. IT IS NOT EVIDENT AT THE MOMENT THAT THE FINAL REPORT ON THE INVESTIGATION WILL BE MADE PUBLIC. A THOROUGH, COMPLETE INVESTIGATION IS EXPECTED BY SEVERAL INTERESTED PARTIES. END SUMMARY.

2. SECRETARY OF ENERGY GERONIMO VELASCO TOLD E/C COUNSELOR FEBRUARY 14 THAT THE GOP INVESTIGATION INTO THE WESTINGHOUSE NUCLEAR POWER PLANT CONTRACT IS STILL GOING ON. HE DOES NOT KNOW WHEN IT WILL BE COMPLETED, MAYBE IN A FEW WEEKS, MAYBE IN SIX MONTHS. HE DID NOT WANT TO SPECULATE ON THE POSSIBLE OUTCOME, BUT DID NOTE THAT IT WILL BE A THOROUGH AND COMPLETE REVIEW OF ALL ASPECTS OF THE PROJECT. WHEN ASKED IF A COPY OF THE FINAL REPORT ON THE INVESTIGATION WOULD BE AVAILABLE TO THE EMBASSY, VELASCO RETORTED, "YOUR GOVERNMENT IS CONDUCTING ITS OWN INVESTIGATION, YOU SHOW ME YOUR REPORT AND I'LL SHOW YOU MINE." HE THEN ADDED THAT HE HAD NO INTENTION OF GIVING A COPY OF WHATEVER REPORT HE PREPARES FOR THE

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PRESIDENT TO THE USG, BECAUSE AS SOON AS HE DID, IT WOULD SHOW UP IN THE U.S. PRESS". EMBOFF NOTED THAT SOME USG AGENCIES CONCEIVABLY MIGHT DELAY FINAL RECOMMENDATIONS REGARDING THE EXPORT LICENSE PENDING SOME INDICATION OF THE OUTCOME OF THE "FORMAL HEARINGS" PUBLICLY ANNOUNCED BY PRESIDENT MARCOS, VELASCO SAID, "SO WHAT. DON'T ISSUE THE LICENSE. THAT'S YOUR PROBLEM, NOT OURS".

3. COMMENT: VELASCO WAS EVEN MORE THAN USUALLY ACERBIC AND CONTENTIOUS IN A VERY SHORT AND TERSE DISCUSSION ABOUT HIS INVESTIGATION. THE INTERVIEW WAS LESS THAN SATISFACTORY. IT CERTAINLY REFLECTS THE FRUSTRATION THE GOP IS FEELING IN THE FACE OF THE UNENDING BARRAGE OF PRESS ARTICLES ABOUT THE PROJECT -- MANY CITING USG SOURCES. IT IS APPARENT THAT EVEN THIS INFORMAL INQUIRY (QUESTION WAS POSED AT HOLIDAY INN WHILE AWAITING OPENING OF U.S. ELECTRIC ENERGY SYSTEMS SEMINAR) EXACERBATED PHILIPPINE SENSITIVITIES, AND WAS VIEWED BY VELASCO AS AN UNWARRANTED USG INTRUSION INTO HIS AFFAIRS. END COMMENT.

4. EMBOFF TOOK OPPORTUNITY OF SOCIAL EVENTS SURROUNDING ENERGY SEMINAR TO CONTACT MOST MAJOR ACTORS IN THE PROJECT AT THE MID-MANAGEMENT LEVEL WHO WOULD BE LIKELY TO BE TOUCHED BY THE INVESTIGATION TO OBTAIN FURTHER DETAILS ABOUT ITS STATUS. THESE OFFICIALS TALKED A BIT MORE FREELY, AND WERE NOT AS CAUSTIC AS VELASCO, BUT ALL SOUGHT ANONYMITY. WHAT FOLLOWS IS A SYNOPSIS.

5. THE GOP INVESTIGATION, BEING LED BY VELASCO, IS INTERNAL AND INFORMAL. NO "FORMAL HEARINGS" ARE FORESEEN AT THIS TIME. SOLICITOR GENERAL MENDOZA HAS NOT PLAYED A SIGNIFICANT PART SO FAR, BEING OTHERWISE OCCUPIED WITH PREPARATIONS FOR THE TINTERIM NATIONAL ASSEMBLY ELECTIONS. CONFIDENTIAL

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VELASCO HAS PLACED A COMPETENT AND AGGRESSIVE STAFF ATTORNEY FROM THE PHILIPPINE NATIONAL OIL COMPANY (PNOC) AT THE NATIONAL POWER CORPORATION (NPC) TO COORDINATE THE DATA COLLECTION. THE SPECIAL PROJECTS GROUP OF THE NPC IMPLEMENTING THE NUCLEAR PROJECT HAS BEEN WORKING "FLAT OUT" SINCE JANUARY 15 WHEN PRESIDENT MARCOS FIRST ANNOUNCED THE "FORMAL HEARINGS" TO RECONSTRUCT A COMPLETE HISTORY OF THE PROJECT DATING BACK TO 1973. THE MANAGEMENT OF EXTERNAL DEBTS AND INTERNATIONAL ACCOUNTS DIVISION (MEDIAD) OF CENTRAL BANK, WHICH PLAYED A KEY ROLE IN THE FINANCING NEGOTIATIONS, HAS NOT YET BEEN BROUGHT INTO THE INVESTIGATION.

6. WESTINGHOUSE AND VELASCO MEET REGULARLY, WITH WESTINGHOUSE RESPONDING -- THEY BELIEVE SATISFACTORILY -- TO A VAST ARRAY OF INFORMAL QUESTIONS. SOME OF THESE QUESTIONS WILL BE PUT INTO A FORMAL LETTER FROM MENDOZA TO WESTINGHOUSE HEADQUARTERS, PROBABLY THIS WEEK. THAT LETTER WAS DISCUSSED IN DRAFT WITH WESTINGHOUSE BEFORE THE OFFICIAL VERSION WAS FORMALIZED. THE GOP WILL EXPECT A WRITTEN REPLY.

7. A SENIOR OFFICIAL AT NPC FEELS HIS COMPANY, AND THE

PROJECT, WILL BE EXONERATED. "THE PRESIDENT WOULDN'T ANNOUNCE PUBLICLY SUCH AN INVESTIGATION UNLESS HE KNEW IN ADVANCE WHAT RESULTS TO EXPECT". A VERY SENIOR OFFICIAL AT ANOTHER AFFECTED AGENCY SAYS THE INVESTIGATION IS SURPRISINGLY THOROUGH AND OBJECTIVE. HE EXPECTS NO "WHITEWASH". HE FEELS THE PROJECT WILL STAND SCRUTINY ON TECHNICAL AND SAFETY GROUNDS, BUT THE PRICING FACTOR COULD CAUSE A PROBLEM.

8. IN OTHER RECENT FORUMS, SECRETARY OF FINANCE VIRATA DEFENDED THE PROJECT IN ADDRESSING A GROUP OF LOCAL BANKERS. HE NOTED WESTINGHOUSE HAD "SIGNED COVENANTS" IN THE EXIM AGREEMENT THAT ILLEGAL PAYMENTS WERE NOT INVOLVED. HE ADDED THE PROJECT HAD "FACED THE (U.S.) PUBLIC IN A BOND ISSUE",
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AND WAS SURE "THE PROJECT WOULD STAND THE SCRUTINY OF THE CRITICS". ALEJANDRO MELCHOR, FORMER PRESIDENTIAL EXECUTIVE SECRETARY WHO WAS INSTRUMENTAL IN PROMOTING THE PROJECT IN 1974 AND 1975, HAS TOLD RECENT CALLERS THAT THE PROJECT "IS TOO FAR DOWN THE ROAD" TO STOP NOW. HOWEVER, WE CONCLUDE FROM VELASCO CONVERSATION REPORTED ABOVE, VELASCO COMMENTS MADE DURING COURTESY CALL BY US DOE FAR EAST REPRESENTATIVE HENOKH, AND OTHER CONTACTS CITED ABOVE, THAT VELASCO REMAINS OPEN-MINDED ABOUT THE POSSIBLE OUTCOME OF THIS INVESTIGATION.
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